



ITEM NO. 4

STAFF REPORT

DATE: JUNE 7, 2011
TO: HONORABLE MAYOR AND CITY COUNCIL
FROM: ROD FOSTER, CITY MANAGER/GENERAL MANAGER
PREPARED BY: AMER JAKHER, PUBLIC WORKS & UTILITY SERVICES DIRECTOR
SUBJECT: APPROVE THIRD AMENDMENT TO THE OPERATIONS & MAINTENANCE AGREEMENT WITH EI COLTON, LLC FOR THE AGUA MANSA POWER PLANT

RECOMMENDED ACTION

It is recommended that City Council approve the Third Amendment to the Operations & Maintenance Agreement with EI Colton, LLC for the Agua Mansa Power Plant, in order to extend the Agreement for six (6) months through 12/31/11 at the current base fee, and to waive the incentive payments; and authorize the City Manager to extend the agreement for up to an additional six (6) months.

GOAL STATEMENT

The proposed action will support the City's goals to provide safe, reliable, affordable, and environmentally sustainable electric service.

BACKGROUND

On October 9, 2002, the City Council approved the Operations and Maintenance Agreement (O&M Agreement) and Administrative Services Agreement (ASA) with EI Colton, LLC for the operation of the Agua Mansa Power Plant. A Second Amendment to extend the term of the Agreement by one year was approved by City Council on October 5, 2010, reducing the annual cost, so the City could explore options for future operations of the plant. The Second Amendment included the same automatic renewal clause as the original agreement. A Notice of Intent Not to Renew was issued to the contractor on June 21, 2010 in order to explore more cost efficient options for operations of the power plant.

ISSUES/ANALYSIS

Staff has been working to develop a Request for Proposal (RFP) to seek partnership opportunities and operation services for the Agua Mansa Power Plant. The RFP document is under final review and it is anticipated that the proposals will be received in late June to early July. After the proposals are received and evaluated, staff will present the various options to City Council. Until such time as a decision is made on the future of the Agua Mansa Power Plant, operations at the plant need to continue in order to provide required resource adequacy and electrical energy during the upcoming summer months.

The plant operator was notified on June 21, 2010, that the City did not intend to exercise the renewal option in O&M services agreement so that the City could explore various cost effective options for operating the plant. As of July 1, 2011, the City will not have an operator for daily operations and maintenance at the plant, nor will the City have in-house staff qualified to support the plant operation. Staff has negotiated with E.I. Colton, LLC, the plant operator, to extend the current agreement for an additional six months, through December 31, 2011, at the current base fee rate of \$60,000 per month. Additionally, the operator has agreed to waive the "Incentive" portion of the agreement for the period July 1, 2011 through December 31, 2011, provided the contract does not extend past December 31, 2011.

FISCAL IMPACTS

Sufficient funds are included in the proposed Electric Utility's proposed FY11/12 Agua Mansa Power Plant Operations expense account 520-8000-8009-2225-0548-000.

ALTERNATIVES

1. City Council may provide alternate direction to staff.

Attachment: Third Amendment to Operations & Maintenance Agreement
[Agreement will be distributed at the dais on the day of the meeting]